

**HeveaBoardBerhad**  
(Company No. 275512-A)  
(Incorporated in Malaysia)

**QUARTERLY REPORT – FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2012**

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134, INTERIM FINANCIAL REPORTING AND BURSA LISTING REQUIREMENTS

**A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with the reporting requirements of MFRS 134: Interim Financial Reporting and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). For the periods up to and including the year ended 31 December 2011, the Group prepared its financial report in accordance with Financial Reporting Standards ("FRS").

The interim financial report should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation on events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

**A2. Significant accounting policies**

**MASB Approved Accounting Standards, MFRSs**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework for an additional one year. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities are required to adopt the MFRSs framework for the next financial year, being the first set of financial statements prepared in accordance with the MFRSs framework.

**Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")**

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1st January 2012 have always been applied, except when

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MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

The initial applications of the MFRSs do not have any significant impact on the financial statements of the Group and the Company.

**A3. Declaration of audit qualification**

The preceding annual financial statements of the Group were reported on without any qualification.

**A4. Nature and amount of unusual items**

There were no extraordinary items for the current interim period.

**A5. Seasonal or Cyclical Factors**

There have been no material seasonal or cyclical factors affecting the results of the quarter under review.

**A6. Material Changes in Estimates**

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter.

**A7. Debts and Equity Securities**

During the financial period, there were no issuances, cancellations, repurchases and resale of debts and equity securities. Total repayment of debts amounted to RM7.33 million for the reporting quarter.

**A8. Dividend Paid**

A first and final tax-exempt dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2011 amounted to RM904,000.00 was declared on 9 May 2012 and paid on 6 July 2012.

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**A9. Segmental Reporting (Analysis by Activities)**

	← Cumulative 12-month quarter ended →			
	Current year period to-date 31.12.2012		Preceding year corresponding period to-date 31.12.2011	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
<b>Manufacturing</b>				
Particleboards	168,375	1,762	168,663	(1,719)
RTA Products*	183,532	11,189	181,278	5,107
<b>Trading</b>				
Particleboards	1,383	105	2,896	187
RTA Products*	19,307	689	20,212	323
<b>Others</b>	-	(4)	-	(4)
<b>Total</b>	<b>372,597</b>	<b>13,741</b>	<b>373,049</b>	<b>3,894</b>

\*RTA - Ready-To-Assemble

**Particleboard Manufacturing Sector**

The revenue for FY2012 was slightly lower, decrease of RM0.29 million or 0.17% compared to the previous year. The wood panel industry worldwide is sluggish and the company had reduced the production volume. This sector had achieved higher PBT for this financial year due mainly to the unrealised exchange gain of RM4.42 million this year as against unrealised exchange loss in the previous year.

**RTA Manufacturing Sector**

This sector had achieved higher revenue from RM181.27 million to RM183.53 million, an increase of RM2.25 million or 1.24%. It is also reporting a much higher Profit before tax from RM5.11 million to RM11.19 million, an increase of RM6.1 million or 120% for the twelve-month period ended 31 December 2012 as compared with the corresponding period in 2011. These were attributed mainly to higher efficiency achieved from the installation of the automated lines in early 2012 when financing was available after we managed to redeem ourselves by removing the stigma of the court sanctioned S176 in late 2011.

**A10. Subsequent events**

There was no material event subsequent to the end of the period reported that have not been reflected in the financial statement for the said period.

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**A11. Valuations of Investment and Property, Plant and Equipment**

No valuations are conducted during the period on the Group's property, plant and equipment.

**A12. Effect of Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current financial year to date.

**A13. Contingent Liabilities**

Corporate guarantees of RM12.19 million were given to financial institutions for banking facilities and hire purchase facilities granted to subsidiaries as at 21 February 2013 (the latest practicable date not earlier than seven (7) days from the date of issue of this report).

**A14. Capital Commitments**

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2012 were as follows:

	The Group
	RM'000
Approved but not contracted for	12,500

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES LISTING REQUIREMENTS**

**B1. Review of performance**

The revenue of the Group for the current quarter ended 31 December 2012 was RM89.09 million, a decrease of RM7.1 million or 7% as compared with the corresponding quarter in 2011. For the twelve months ended 31 December 2012, the Group had achieved total revenue of RM372.60 million as compared with RM373.05 million in 2011, a decrease of RM0.4 million or 0.1%.

The profit before taxation ("PBT") of the Group for the reporting quarter was RM5.45 million, an increase of RM2.20 million as compared with the corresponding quarter in 2011. For the twelve months ended 31 December 2012, the Group reported a PBT of RM13.74 million as compared to RM3.89 million for the same period in 2011, an increase of RM9.85 million due mainly to the better financial performance from the RTA Sector for reasons as explained earlier and from the particleboard sector the unrealized exchange gain from the translation of the USD Loan.

**B2. Material change in profit before taxation for the quarter against the immediate preceding quarter**

The Group reported a PBT of RM5.45 million for the current quarter as compared to RM3.58 million for the immediate preceding quarter ended 30 September 2012, an increase of RM1.87 million or 52% due mainly to the better performance by the RTA Sector.

**B3. Prospect for the current financial year**

The current business environment is challenging for the particleboard sector in view of the global uncertainties. The RTA furniture sector will be affected by the minimum wage policy for over 1,400 workforce, effective Jan 2013 but had taken various measures to mitigate the impact by embarking on automation and identify new markets.

For the particleboard sector, the company will continue to focus on its R&D to produce higher value products, seek alternative wood supplies and improve on its manufacturing process to increase production efficiency.

**B4. Variances from Profit Forecasts and Profit Guarantee**

Not applicable.

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**B5. Profit/(Loss) Before Taxation**

Profit/(Loss) before taxation is arrived at after charging/(crediting):-

	Current Quarter Ended 31/12/2012 RM'000	Corresponding Quarter Ended 31/12/2011 RM'000	Current Year to date Ended 31/12/2012 RM'000	Corresponding Year to date Ended 31/12/2011 RM'000
Interest income	(2)	(10)	(28)	(42)
Interest expense	1,636	2,178	7,856	9,392
Depreciation and amortization	6,411	6,180	25,503	24,621
Net realized foreign exchange (gain)/loss	(80)	(914)	(885)	(2,609)
Net unrealized foreign exchange (gain)/loss	76	(722)	(4,417)	2,045

**B6. Taxation**

	Current Quarter		Cumulative Quarter	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
<b>Current Taxation:</b>				
- For the financial year	2,504	(335)	1,500	(532)
	<u>2,504</u>	<u>(335)</u>	<u>1,500</u>	<u>(532)</u>

Reversal of deferred tax liability recognised in prior financial period as the Company was currently with deferred tax assets position. Income tax expenses for the current quarter and financial year to date arose mainly from the Group business operations. The Group has about RM452.9 million tax allowances in unabsorbed capital allowances, unabsorbed investment tax allowances, unabsorbed Re-investment Allowances, and unabsorbed Allowance for Increased Export available for offset against taxable statutory income.

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**B7. Realised and Unrealised Profits Disclosures**

	As at 31.12.2012 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	97,615
- Unrealised	4,417
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Total group retained profits as per consolidated accounts	<hr/> 102,032 <hr/>

**B8. Status of corporate proposals announced but not completed**

None

**B9. Borrowings and Debt Securities**

The Group's borrowings are as follows:

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Short term borrowings – secured		
- hire purchase payables	3,580	2,557
- term loans	25,947	26,373
- ECR	566	3,180
- MBB OFCL Financing	15,325	10,951
- bank overdraft	4,121	4,437
	<hr/> 49,539 <hr/>	<hr/> 47,498 <hr/>
Long term borrowings – secured		
- hire purchase payables	4,762	4,492
- term loans	82,615	112,492
	<hr/> 87,377 <hr/>	<hr/> 116,984 <hr/>

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**B10. Material Litigation**

The Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any proceedings pending or threatened against the Group, which might materially and adversely affect the financial position or business of the Group.

**B11. Dividend**

No dividend has been declared for the financial period ended 31 December 2012.

**B12. Earnings per Share**

The earnings per Share are calculated by dividing the Group's profits attributable to shareholders by the number of ordinary shares in issue in the respective periods as follows:-

**a) Basic**

	31 December 2012		31 December 2011	
	Quarter ended	Period to-date	Quarter ended	Period to-date
Profit attributable to the shareholders (RM'000)	<u>7,951</u>	<u>15,240</u>	<u>2,908</u>	<u>3,362</u>
Number of ordinary shares in issue ('000)	<u>90,400</u>	<u>90,400</u>	<u>90,400</u>	<u>90,400</u>
Basic earnings per Share (sen)	<u>8.80</u>	<u>16.86</u>	<u>3.22</u>	<u>3.72</u>

**b) Diluted**

There is no dilutive effect arising from the Company's unexercised warrants.

**B13. Authorisation**

These Quarterly Results for the financial period ended 31 December 2012 have been viewed and approved by the Board of Directors of HeveaBoard Berhad for release to Bursa Securities.